



**VarTec Telecom, Inc.**

October 26, 2001

**VIA E-MAIL ON OCTOBER 26, 2001 and  
VIA OVERNIGHT DELIVERY**

**Mr. David Waddell**  
Executive Secretary  
Tennessee Regulatory Authority  
4 James Robertson Parkway  
Nashville, TN 37243-0505

RECEIVED  
OCT 30 AM 11 15  
EXECUTIVE SECRETARY

Re: Docket No. 01-00760 - Application of VarTec Telecom, Inc. for a Certificate to  
Provide Competing Local Telecommunications Services

Dear Mr. Waddell:

VarTec Telecom, Inc. ("VarTec") is in receipt of correspondence from the Tennessee Regulatory Authority ("TRA") dated September 28, 2001 regarding the Company's Application for a Certificate to Provide Competing Local Telecommunications Services. It is VarTec's intent that the information provided herein will adequately respond to TRA's inquiries regarding VarTec's Application.

Please note that some of the questions included in the TRA's September 28, 2001 data request seek answers directly from Telephone Electronics Corporation ("TEC") and/or the TEC subsidiaries that operate in Tennessee as incumbent local exchange carriers ("TEC ILECs"). For these questions, VarTec has conferred with TEC and is providing these answers as a single response. Please find below the Company's responses to the questions addressed in the TRA's correspondence.

**(1) Please provide a copy of all cost allocation manuals and procedures that will be utilized for the prevention of cross subsidization between the Tennessee affiliates, i.e., distribution of salaries and expenses of shared officers and directors, or any other applicable costs.**

While the TEC ILECs maintain compliance with all applicable cost allocation requirements, there are no cost allocation manuals that are relevant to the relationship between TEC and VarTec. VarTec and TEC certify that there are no shared costs or expenses between VarTec and the TEC ILECs. No TEC facilities or employees will be utilized or associated in any way with the new competitive services VarTec proposes to provide in Tennessee.

**(2) Will the TEC ILECs in Tennessee be willing to impute earnings with revenue generated by VarTec as a non-regulated affiliate?**

Consistent with the certification provided in Response 1 above, there will be no earnings derived from VarTec's services that will be related to the earnings of the TEC ILECs.

**(3) In TEC's opinion, is the VarTec relationship consistent with 47 CFR 64.1903? If so, how is it consistent?**

As TEC understands 47 CFR 64.1903, the relationship between VarTec and the TEC ILECs is consistent with 47 CFR 64.1903 even though VarTec was not established as an affiliate of the TEC ILECs for the purpose of providing in-region interstate domestic interexchange services for the TEC ILECs. Nonetheless, the relationship between VarTec and the TEC ILECs is consistent with 47 CFR 64.1903 because VarTec: 1) maintains separate books of account from the TEC ILECs; 2) does not jointly own transmission or switching facilities with the TEC ILECs; and 3) acquires services from the TEC ILECs at the tariffed rates applicable to other non-affiliated companies.

**(4) In TEC's opinion, how would approval of VarTec's application affect the entry of local competition in the TEC ILEC territories in Tennessee?**

In TEC's opinion, the approval of VarTec's application will have no effect, favorable or adverse, on the entry of local competition in the territories of any rural incumbent local exchange carriers in Tennessee as VarTec does not propose to offer service in the territories currently served by these rural incumbent local exchange carriers.

As always, VarTec appreciates your time and consideration regarding this matter. VarTec is eager to begin providing local exchange services in Tennessee and anticipates an expeditious commencement of services upon approval of this application. Should TRA staff have additional questions regarding the relationship between TEC and VarTec, or any other aspect of VarTec's proposed services, the Company would be pleased to discuss these matters in detail with TRA staff. If such discussions are determined to be necessary, please contact the undersigned directly at (214) 424-1513 or at the Company's principal address.

Respectfully submitted,



Kevin Allen  
Manager, Regulatory Affairs

cc Becky Gipson  
Director, Regulatory Affairs

Robert Guerriero  
Telephone Electronics Corporation